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The President's Daily Brief

20 March 1973

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~~*Top Secret*~~

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LATE ITEM

Iraq-Kuwait: Early this morning Iraqi forces stationed in disputed territory near Umm Qasr opened fire on a recently established Kuwaiti border post nearby. A general mobilization of Kuwaiti armed forces has been ordered. Tanks and armored cars are deployed along a line six miles south of the Iraqi frontier. The Kuwaiti Air Force has orders to shoot down any intruding Iraqi aircraft. The Kuwait National Assembly met in emergency session today and gave the government carte blanche to defend Kuwaiti "lives, territory, and interests." Ambassador Stoltzfus does not believe there will be a serious military escalation or that there is any danger at the moment to US citizens in Kuwait.

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THE PRESIDENT'S DAILY BRIEF

20 March 1973

PRINCIPAL DEVELOPMENTS

The dollar was strong in world markets yesterday and continued so in Tokyo this morning. *(Page 1)*

Soviet grain traders are shopping in Australia and Canada. *(Page 2)*

[redacted] 25X1

[redacted] *(Page 3)* 25X1

Lon Non appears to be taking advantage of the state of emergency in Cambodia to settle political scores. *(Page 4)*

Soviet media have given upbeat treatment to Secretary Schultz' recent visit to Moscow. *(Page 5)*

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INTERNATIONAL MONETARY DEVELOPMENTS

The dollar was generally strong in foreign currency exchanges yesterday in the first day of official trading since 2 March. The Bank of Japan sold some $50 million to keep the dollar's value from rising too fast. The yen closed yesterday at about a 16.3-percent appreciation from its old rate and continued gradually to appreciate today. The Bundesbank--the only other bank to intervene--sold more than $8 million worth of Belgian francs and a much smaller amount of Swedish kroner to maintain the new European currency band.

The bank's intervention reflects the surprisingly weak early showing of the mark relative to other European currencies. Some traders fear that Bonn may have sacrificed too much by its latest revaluation.

The generally light activity yesterday indicates that most traders are taking a wait-and-see attitude. Those traders who speculated in marks and other strong currencies may hold off repurchasing dollars until they get a clearer picture of payments and psychological trends. Our preliminary analysis of balance-of-payments prospects in Japan and Western Europe indicates such traders are wise, for it appears that pressures will build for further appreciations of the mark and yen and a depreciation of sterling.

The Swiss banking community reportedly is skeptical about prospects for the joint float and is against Swiss participation. Bankers not only fear that Switzerland would have to support the weaker European currencies, but also argue that Switzerland should not diminish its neutrality or independence.

A national referendum approved Swiss association with the EC in December, but only with the proviso that the links would not go beyond those of a free trade zone.

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USSR

Soviet grain traders are shopping in Australia and Canada for grain to be delivered in the fiscal year beginning in July 1973. The Australians are receptive because they expect a large crop. Canada is reported to have sold some wheat in February for delivery in the next fiscal year to the USSR. So far, the Soviets apparently have made no firm overtures to US grain companies.

After last year's experiences, US traders are wary of Soviet purchasing practices and are reluctant to sign fixed-price contracts again. It appears that the Soviets can still get such contracts in other countries, and with the price of US hard red winter wheat almost double that which the USSR paid last year, they will try to fill part of their requirement elsewhere. It is likely, however, that the Soviets will come back to the US for purchases of feed grains, on which prices have not risen spectacularly.

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CAMBODIA

Acting under the state of emergency declared on Saturday, the government has further tightened security measures, which now include a ban on all public meetings. There are unconfirmed reports that some newspaper editors and teacher and student leaders have been arrested.

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President Lon Nol appears to be relying on his younger brother, Brigadier General Lon Non, to enforce the emergency measures. Lon Non [redacted] the government had been too lenient toward opposition elements and that it was time to rule with an "iron hand."

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At the same time, Lon Non indicated that he intended to exploit the present situation to further his own political ends. He alleged that his long-time political rival, Republican Party chief Sirik Matak, has been behind recent antigovernment agitation by students and teachers. Although Lon Non said it was impossible to arrest Matak because of his close friendship with Lon Nol, he apparently does intend to arrest some of Matak's supporters.

Matak himself appears increasingly pessimistic over his political future. Just before the recent disturbances, [redacted] he had not heard directly from Lon Nol on the subject of his becoming vice-president for some time. Matak was doubtful about rejoining the government at this juncture when--in his opinion--political, military, and economic conditions are worse than at any time since Sihanouk's ouster.

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NOTES

USSR-US: Soviet media have given upbeat treatment to Secretary Shultz' recent visit to Moscow. *Pravda* and *Izvestia* highlighted its significance, quoting optimistic Western press reports concerning prospects for economic cooperation. Prominent play was also given to Shultz' remarks that his meeting with Brezhnev took place in a "spirit of mutual understanding and goodwill" and "bore a businesslike and constructive character." Not surprisingly, the Soviet press has avoided mentioning the Jewish emigration issue in connection with the visit.

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North Korea - Scandinavia: Sweden, Denmark, and Finland are expected to recognize North Korea at the end of March, giving Pyongyang its long-sought diplomatic presence in Western Europe. Norway and Iceland may soon follow suit. This will provide additional impetus to the "two Koreas" concept, which Pyongyang has pushed and which Seoul seems finally prepared to accept. Sweden's action may raise questions about its remaining on the UN supervisory commission or, as the South Koreans fear, even call the continuation of the commission itself into doubt.

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